

HLG Capital Berhad

Condensed Consolidated Income Statements

For the financial quarter ended 30 September 2007

	Financial quarter ended	
	30-Sep-07 RM'000	30-Sep-06 RM'000
Operating revenue	46,995	15,954
Other operating income	661	1,535
	47,656	17,489
Personnel costs	(5,168)	(3,932)
Other operating expenses	(28,102)	(8,654)
Profit from operations	14,386	4,903
Finance cost	(240)	(585)
Profit before taxation	14,146	4,318
Taxation	(3,933)	(1,363)
Net profit for the financial period	10,213	2,955
Earnings per share (sen)		
Basic	8.38	2.40
Fully diluted	8.38	2.40

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Condensed Consolidated Balance Sheet
As at 30 September 2007

	As at current financial quarter 30 September 2007 RM'000	As at preceding financial year ended 30 June 2007 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property and equipment	2,944	3,029
Other investments	248	248
Intangible assets	4,893	4,768
Deferred tax assets	1,427	1,427
	9,512	9,472
CURRENT ASSETS		
Trade receivables	391,913	278,968
Other receivables	6,487	5,724
Manager's stocks and promotional items	4,436	7,619
Marketable securities	8,120	6,684
Short term funds	204,481	217,931
	615,437	516,926
TOTAL ASSETS	624,949	526,398
EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital	123,448	123,448
Shares held by ESOS Trust	(3,108)	(3,081)
Reserves	38,325	28,112
Shareholders' equity	158,665	148,479
NON-CURRENT LIABILITIES		
Provision for retirement benefits	997	991
	997	991
CURRENT LIABILITIES		
Short term borrowings	-	14,700
Trust accounts	89,092	96,777
Trade payables	348,999	242,917
Other payables	23,711	20,188
Taxation	3,485	2,346
	465,287	376,928
Total liabilities	466,284	377,919
TOTAL EQUITY AND LIABILITIES	624,949	526,398
Net assets per share attributable to ordinary equity holders of the parent (sen)*	132 sen	124 sen

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

* Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation

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Condensed Consolidated Statement of Changes in Equity

For the financial quarter ended 30 September 2007

	Share capital RM'000	Shares held by ESOS Trust RM'000	General reserve RM'000	(Accumulated losses) / Retained earnings RM'000	Total RM'000
As at 1 July 2007	123,448	(3,081)	543	27,569	148,479
Net profit for the financial period	-	-	-	10,213	10,213
Dividend Paid	-	-	-	-	-
Purchase during the year	-	(27)	-	-	(27)
As at 30 September 2007	123,448	(3,108)	543	37,782	158,665
As at 1 July 2006	123,448	(1,092)	543	5,272	128,171
Net profit for the financial year	-	-	-	2,955	2,955
Purchase during the year	-	(1,036)	-	-	(1,036)
As at 30 September 2006	123,448	(2,128)	543	8,227	130,090

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad

Condensed Consolidated Cash Flow Statement

For the financial quarter ended 30 September 2007

	Financial quarter ended	
	30-Sep-07 RM'000	30-Sep-06 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	14,146	4,318
Adjustments for non-cash items	(1,432)	1,175
Operating profit before working capital changes	12,714	5,493
Net (increase)/decrease in working capital	6,003	2,018
Cash generated from/(used in) operations	18,717	7,511
Taxes paid	(2,791)	(1,850)
Interest paid	(202)	(394)
Net other operating income	542	886
Net cash generated from/(used in) operating activities	16,266	6,153
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in property, equipment and investments	(376)	(20,320)
Net cash generated from/(used in) investing activities	(376)	(20,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short term borrowings	(14,700)	(7,000)
Purchase of shares held by ESOS Trust	(27)	(1,036)
Net cash used in financing activities	(14,727)	(8,036)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,163	(22,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	94,275	122,246
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	95,438	100,043
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short term funds	204,481	137,205
Less: Monies held in trust	(109,043)	(37,162)
	95,438	100,043

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 June 2007 and the accompanying explanatory notes attached to the interim financial statements.

HLG Capital Berhad
Notes to the interim financial statements
for the financial quarter ended 30 September 2007

Notes to the interim financial statements pursuant to
the Financial Reporting Standard ("FRS") 134

1. Basis of preparation

The interim financial statements ("Report") are unaudited and have been prepared in accordance with FRS 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements of HLG Capital Berhad ("Company") Group ("the Group") should be read in conjunction with the audited financial statements for the financial year ended 30 June 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2007.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2007 except for the changes in accounting policies and presentation which are expected to be reflected in the financial statements for the financial year ending 30 June 2008 resulting from the adoption of applicable FRSs adopted by Malaysian Accounting Standards Board that are effective for the financial period beginning 1 January 2007 as follow:

FRS 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 119 ²⁰⁰⁴	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures.

FRS 6 is not relevant to the Group's operations. The adoption of FRS 117, 124 and Amendment to FRS 119²⁰⁰⁴ do not have significant financial impact on the Group.

3. Status of matters giving rise to the auditors' qualified report in the audited financial statements for the financial year ended 30 June 2007

The auditors did not qualify the financial statements for the financial year ended 30 June 2007.

4. Seasonality or cyclicity of operations

The operations of the Group were not affected by any seasonal or cyclical factors.

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Notes to the interim financial statements
for the financial quarter ended 30 September 2007

5. Exceptional items / unusual events

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2007.

6. Variation from financial estimates reported in preceding financial period/year

There were no significant changes in financial estimates in the financial quarter ended 30 September 2007.

7. Issuance and repayment of debt and equity securities

There are no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial quarter ended 30 June 2007 except for the following:

- a) The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of an Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation of the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The scheme was established on 23 January 2006 under a trust for employee ("ESOS Trust").

- b) The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's Balance Sheet as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 3,301,600 shares in the Company costing RM3,107,875 inclusive of transaction costs, as at 30 September 2007.

The ESOS options have not been granted as at end of the financial period.

8. Dividends paid

There was no dividend paid during the financial quarter ended 30 September 2007.

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for the financial quarter ended 30 September 2007

9. Segmental reporting

(a) Segment information by activities for the financial year ended 30 September 2007

	Stock- broking and related activities	Fund management and unit trust management	Corporate advisory services and mezzanine financing	Futures	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2007							
REVENUE & EXPENSES							
Revenue							
Operating revenue	21,068	28,242	45	164	-	(2,525)	46,994
Results							
Profit / (loss) from operations	11,424	3,163	26	(1)	(229)	3	14,386
Finance cost							(240)
Taxation							(3,933)
Profit after taxation							10,213
30 September 2006							
REVENUE & EXPENSES							
Revenue							
Operating revenue	6,032	12,861	-	-	-	(2,939)	15,954
Results							
Profit from operations	2,689	2,324	(19)	-	(100)	9	4,903
Finance cost							(585)
Taxation							(1,363)
Profit after taxation							2,955

(b) Segment information by geographical areas has not been disclosed as the Group operates principally in Malaysia.

10. Property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the financial period ended 30 September 2007.

11. Events after Balance Sheet date

There were no material events subsequent to the balance sheet date to be disclosed.

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for the financial quarter ended 30 September 2007

12. Changes in composition of the Group

There were no changes in the composition of the Group during the financial quarter ended 30 September 2007 except for the followings:-

On 29 June 2007, the Company announced that its wholly-owned subsidiary companies, HLG Capital Advisory Sdn Bhd and HLGeBiz Sdn Bhd were placed under member's voluntary winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.

13. Capital Commitments

There were no capital commitments for the purchase of property, plant and equipment as at 30 September 2007.

14. Changes in Contingent liabilities

Details of contingent liabilities since the last audited balance sheet date are as follows:

- (a) HLG Unit Trust Bhd, a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 September 2007.

15. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related party transactions obtained at a general meeting.

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Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

16. Performance review

(a) Current financial quarter under review against previous corresponding financial quarter

For the financial quarter ended 30 June 2007, the Group registered a higher profit before taxation of RM14.1 million compared to a profit before taxation of RM4.3 million in the previous corresponding financial quarter. This mainly due to higher contribution from stockbroking business which has benefited from higher Bursa Malaysia trading volume.

(b) Performance of current financial quarter under review against preceding financial quarter

For the current financial quarter ended 30 June 2007, the Group recorded a higher profit before taxation of RM14.1 million compared to a profit before taxation of RM12.1 million in the preceding financial quarter.

The higher profit before taxation for the current financial quarter under review was mainly due to higher operating revenue from the stockbroking and unit trust business.

17. Prospects for the current financial year

Barring any unforeseen circumstances, the Directors are of the opinion that the Group will perform satisfactorily in the current financial year.

18. Variance in profit forecast and shortfall in profit guarantee

The Group had not entered into any scheme that requires it to present forecast results or guarantee any profits.

19. Taxation

	Financial quarter ended		Financial year to date	
	30.09.07 RM'000	30.09.06 RM'000	30.09.07 RM'000	30.09.06 RM'000
Tax expense on Malaysian tax				
– Current	3,781	1,363	3,781	1,363
– Under provision in prior year	152	-	152	-
	3,933	1,363	3,933	1,363

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20. Sale of properties / unquoted investments

There were no sales of properties for the current financial quarter under review.

There were no sales of unquoted investments for the current financial quarter under review.

21. Purchase / disposal of quoted securities of the Group

There were no purchases or disposals of quoted investments by the Group for the financial quarter under review other than those transacted by the stockbroking subsidiary in the ordinary course of business.

22. Status of corporate proposal

On 19 October 2007, the Group announced that HLG Credit Sdn. Bhd., SBB Capital Markets Sdn. Bhd. and CIMB Bank Bhd. had entered into a conditional Share Sale Agreement for HLG Credit to acquire the entire equity interest in SBB Securities Sdn. Bhd. for an indicative purchase consideration of RM77million.

On the same date, the Group submitted an application to Bank Negara Malaysia in relation to the proposed acquisition of businesses of Southern Investment Bank Bhd ("SIBB"), in particular, identified assets and liabilities of SIBB ("SIBB Assets & Liabilities") for a total cash consideration to be determined based on net book value of SIBB Assets & Liabilities as at the date immediately preceding the vesting date and premium replacing the earlier proposal announced on 22 May 2007.

23. Group borrowings

The short term borrowings of the Group are unsecured and denominated in Ringgit Malaysia.

24. Off-balance sheet financial instruments

There were no contracts involving off balance sheet financial instruments that will significantly affect the risk or performance of the Group as at the date of issue of the Report.

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25. Material litigation

The Company and HLG Securities Sdn Bhd ("HLG Securities") had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

26. Dividends

The Board of Directors do not recommended any dividend to be paid for the financial quarter ended 30 September 2007.

27. Earnings per share ("EPS")

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the net profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Financial quarter ended		Financial year to date	
	30.9.2007	30.9.2006	30.9.2007	30.9.2006
Net profit attributable to shareholders of the Company (RM'000):	10,213	2,955	10,213	2,955
Weighted average number of Ordinary Shares in issue ('000):	121,833	123,385	121,833	123,385
Basic earnings per share (Sen)	8.38	2.40	8.38	2.40

(b) Fully diluted earnings per share

There were no dilutive elements to the share capital and hence EPS (fully diluted) was the same.